

Growing with The Masses

A New Approach to Bottom of The Pyramid

Dr. Vivek Sane

Director, SIBM, Pune.

E-mail : director@sibm.edu

Prof. Anil Kshatriya

Assistant Professor, SIBM, Pune.

E-mail : anil.kshatriya@sibm.edu

ABSTRACT

In 2006, C. K Prahalad propelled a radical thought through his book *The Fortune at the Bottom of the Pyramid*. The book propounded a theory that conceptualized a model for eradicating poverty through profits. It proposed and exemplified ideas which proved that value can be co-created by large companies by keeping in mind the constraints and needs of poor population which occupies the largest portion of any market. In this conceptual paper authors are proposing to add four new dimensions to the seminal model of Bottom of the Pyramid (BOP) with an attempt to expand application of original concept in the emerging markets like India. These perspective dimensions have been supported with several examples of products and services that are offered in Indian markets by large companies who have successfully converted the challenges of low income groups into opportunity. Through such opportunities these companies have not only improved their bottom line but have also provided the BOP masses with immense potential to live a better life. They have made a difference to the lives of millions of poor who are looked upon as source of growth and not as burden.

Key words : Bottom of the Pyramid (BOP) Markets, Emerging Markets, Services, Innovation and Growth.

Introduction

It was in 2002 issue of *Strategy + Business*, an award winning management quarterly that two prominent thinkers C. K. Prahalad and Stuart Hart¹ raised this very simple but most epoch making question. Can we eradicate poverty through the motive of profit? And the answer to this question was provided through an equally simple proposition. "If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunities will open up"².

To elaborate upon this point let us take a day to day example. Think of a wealthy person who owns an expensive car. He is passionate about the brand of his car and drives this car to office every day. One fine day he finds that a beggar is standing near the door of his status machine. All he expects him to do is to give a paltry sum of few rupees to support his living. But instead

if this gentleman frowns at him, gives him a dirty look and ignores this beggar swiftly moving towards his office. The same incident happens next morning where again the same beggar looks at him with expectation. But all that wealthy man has are those hateful looks. And this goes on for four days. But on fourth day the owner of this expensive car is horrified as he steps down from his office. He finds to his utter surprise that all four tyres of his car are flat and someone has mischievously put him to pain. He does not want to name the person but in his mind he knows who the culprit is. Next morning when he drives down to his office in the same expensive car and finds the beggar at same place he decides to go and talk to him. Not about the incident or about dole but about offering him a job to serve him as car washer. The beggar not only gets work and earning but in the process also become the biggest protector of his car. This is what co-creation is all about. The gentleman benefitted by providing an opportunity to the beggar. This is the win-win proposition that BOP markets are able to achieve³.

The authors provided a framework to achieve this objective. This framework comprised of four channels of interconnectedness namely Private Enterprises, Development and aid Agencies, Civil society Organizations and the Consumers & Entrepreneurs who were at the Bottom of the economic Pyramid. The idea was to include the poor and economically deprived by bringing them into mainstream of economic thought process. Collectively they can create an eco-system to encourage innovative practices that become solution to poverty. The authors have exemplified through several cases of innovation in India, Peru, Brazil, Mexico etc. how this has been made possible by several large companies. Companies like ITC (India), Avon (Brazil), Cemex (Mexico) have leveraged the opportunity of serving the BOP markets by keeping their constraints and needs in forefront. These companies have strengthened the potential of poor to put their abilities to optimum use. They have given them living but more importantly they have enabled dignity and choice through markets.

Discussion on new dimensions

Eight years have elapsed since the concept of BOP markets was first discussed. Many MNCs and Indian companies have taken the idea forward by bringing innovations into their business practices. It has penetrated deeply and has also brought a cultural shift in many companies that were dominated with the western philosophy of business. We propose few interpretations through which we attempt to broaden the scope of the concept of BOP. These four new interpretations of the BOP strategy are given below:

1. For developed countries the market at home is saturated and they are moving towards India as an emerging market, which is the bottom of the pyramid for them. This reflects on the fact that for these companies countries like India are themselves a portion of the pyramid and not just a small fragment of its population. Cost effectiveness of operation in Indian markets has forced large MNCs to divert a large portion of their resources to India. There are specialized teams who now work on the India Strategy.
2. With a business model of ex-Deccan Airways and Nano from Tata Motors a new meaning can be that the top end of one market can be linked with the partially visible bottom (prospective customer) of another market. For example ex Deccan Airways, with a slogan of "now everybody can fly" targeted those rail commuters who used to travel through 2nd and 3rd class A.C. compartments (Top end of rail market is linked with the bottom of

aviation market). Youngsters preferring to buy a top end motor cycle costing Rs.75,000/- onwards may be tempted to book a Nano with a starting price of approximately Rs.1,00,000/-. Thus challenge at one end becomes an advantage at the other end of the market. BOP markets work on this principle. They offer choices to people so that they can move up the value chain. But these choices are offered by keeping in mind the cost consciousness of India consumers at heart. We therefore find that the innovative skills required to engineer a Nano are very different from those required to build a high end motor bike priced at Rs. 75, 000.

3. Every product is positioned in a particular price band. For e.g., Rs.1/- to Rs.10/-. It is observed that the maximum volume can be generated from products being sold at lower end of the price band. Many a times a BOP consumer wants to enjoy the pleasure of using services of technology but he or she has very small budget which also is variable from time to time. Hence BOP markets are approached by companies in such a manner that they offer flexibility to such consumers by providing them with price bands from which they can pick and choose their products and services from time to time. A low income family may buy a Rs. 5 detergent soap in one month but may be in a position to buy only one sachet of Re 1 in the next month. Offering this flexibility through single serve is a key to serve and prosper in the BOP markets.
4. There are approximately 6, 40,000 villages in India. There is a segment of customers at the lower end of the marketing pyramid who need to be tapped. There is a tremendous revenue generating opportunity. Rural poor have to be approached in a radically different manner. There are two major constraints while serving the rural poor. First, the assumptions that the necessary infrastructures like roads, water and sanitation will be available along with basic resources like electricity is flawed. Second the level of literacy in rural India is low and therefore people may barely understand what companies try to communicate to them. This demands revisiting of the modes through which people will approach the products and services. This is possible only when there is a zero base thinking applied while delivering your products and services in markets where the above two facts are tactfully handled to your advantage. Looking at the Indian scenario it can be observed that the some illustrations come closer to the above analysis. These have been discussed below.

Corporate Examples of Growing with the Masses in India

1. Reliance India Mobile (mobile for Rs.501/- Monsoon Hungama scheme).
2. Tata Docomo (One paisa per minute plan). Earlier Hutch, now Vodafone introduced the concept of "Chota Recharge".
3. Tiger tikki from Britannia for Rs.2/-.
4. Chotu Amul from Amul butter.
5. Chinese computer giant Lenevo is planning to launch a personal computer for Rs.8, 000/-
6. Kolkata based company "Global Automobiles Ltd" launched India's cheapest motor-cycle at Rs.19990/- called "Rock Hundred" powered by a hundred c.c. engine. It also claims to

offer a mileage of 125 km per liter.

7. Ravindra Kumar of SAS Motors aims to revolutionise the agricultural sector by introducing 22 hp tractor at a price of 1,20,000/- (small and affordable tractor) called Angad.
8. Bungee, a U.S. based company is introducing DALDA in Rs.5/- and Rs.10/- pouches.
9. Godrej Boyce's small refrigerator "Chota Cool" is to be priced at Rs. 3,000/- and is to be made available in red and blue colours.
10. Deepak Khaitan promoted Eveready Industries came out with a battery operated lantern which became very popular in rural areas. This lantern throws a white light instead of the yellow light of a kerosene lamp (re-features of the product as per needs.).
11. GlaxoSmithKline's Horlicks Asha, priced at Rs.85/- for a 500 gm pack is half the price of regular Horlicks.
12. Hindustan Unilever's new venture Brooke Bond Sahedmand is a low priced tea for rural areas.
13. Tata's new low priced water purifier "Tata Swatch".
14. New banking product called Microfinance.
15. C.K. Rangannathan promoted a sachet based shampoo called CHIK through its company Cavin Kare. This prompted leading companies like to replicate the sachet revolution at a price of Rs.1/- and Rs.5/.HUL (Sunsilk), Nescafe, Parachute, Colgate-all these products are now also presented in small packs.
16. Deccan Airways started by Capt. Gopinath (which is now called Kingfisher Red) created low cost, no frill budget airline business model which is then replicated by Indigo, Spice, and Go-Air. Today in aviation sector the market share of budget airlines is formidable.
17. Tata group launched Nano car for Rs. 1 lakh. Perceiving success and huge market, all the leading car manufacturers launched their small cars for Indian market. For e.g., General Motors-Spark, Ford-Figo, Honda-Jazz, Fiat- Punto, Volkswagon- Polo and Skoda-Fabia.
18. Tata Groups Ginger Hotel at Bangalore where tariff begins at Rs.2,000/-.Now they also have hotels at Haridwar, Pune many other places. It is called a chain of "Budget hotels".
19. L.G has come out with T.V sets called "Sampurna" available with starting price of Rs. 7,000/-
20. Inspire Multiplex, which runs chain of multiplexes under the brand 'My Cinemas', the growing exhibition industry multiplex operator and is targeting to open 300 screens across the globe in the next three years. Opened its first multiplex in Kandivali in western suburbs of Mumbai, to invest close to Rs. 450 Crores for expanding its footprints globally. 60% of the tickets are sold in the bracket of Rs. 49- 200/-.
21. HUL to Ride With Telcos, Banks to Reach Bharat (FMCG giant plans joint distribution model to penetrate deeper into rural India) - In a bid to viably cover each of India's 6.38 lakh villages in which some 775 million people reside, Hindustan Unilever (HUL) has initiated

discussions with top telecom and banks and financial services companies to create a joint distribution model. HUL, which hopes to have a million outlets by end of 2011 up from 5.50 lakh last year – has unveiled a blueprint titled Gateway to Rural: Beyond FMCG. (HUL, banks and mobile service are incurring high costs in the quest to go rural, makes a lot of sense to partner and work out win-win deals.

These are stories of large companies who have used their entrepreneurial ideas to reach out to millions who earlier were never looked upon as profitable market. They could do this because they changed their perspective towards the BOP population. This change in perspective enabled them to gear-up to serve these markets by changing the whole pattern of their business operations. Those companies who have managed to bring this change in a timely manner have definitely gained an upper hand over their rivals. Attracting BOP customers has become an integral part of their business strategy. They are aligned to the dynamics of business environment and are reaping splendid results through this alignment. From these examples the following features emerge for the business model of Growing with the Masses -

1. Lower price (affordability)
2. Convenience and availability
3. Brand power-biggest driver
4. Adaptability as per the needs of the targeted customer.
5. Use of technology to improve the systems.
6. Driving away inefficiencies and making an all out effort to reduce the cost, and passing on the benefit to the customer.
7. Volume driven market (Revenue per unit is less but the number of products being sold are more-Total sales increases).Greater turnover.
8. It requires different types of marketing strategies to reach out to the target audience at the bottom.
9. The most important feature of this business model is to understand the aspirations of the masses and then positioning the product accordingly. For e.g., the desire of the common man to fly by plane or a low income class woman trying to use a shampoo sachet at least once a week.
10. It also requires different distribution channels and cannot depend upon the conventional channel of wholesalers and retailers. In many of the examples mentioned above NGO's (Non Government Organizations) or self-help groups have helped in distribution of products or creating awareness.

Conclusion

BOP market strategy and interpretations thereof is no more left academicians to discuss and debate about it. It has become a reality. All the above examples prove this point. Earlier the question was who will serve the poor; they hardly have potential to purchase our products and services. Today the question is who will think of not serving the poor; they are the largest

players for the markets of the future. This shift is a result of acceptance that the idea of BOP gained over the number of years. This powerful change is making MNCs and companies back home as to how they should become beneficiaries in the process by capturing the large base of the economic pyramid and staying there for long. They have chosen to grow with the masses and at the same time enriched lives of millions who are indeed the real beneficiaries of this movement.

End Notes

1. Prahalad, C K and Hart, Stuart L (2002). "The Fortune at the Bottom of the Pyramid." *Strategy + Business*, 26, 1-14.
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